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Hall-Buck Marine, Inc.

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Mar. 4, 1996

David L. Dittmer
Port of Portland
700 N.E. Multnomah
Portland, OR 97208

Fax 503-731-7313

Re: PBT-5: Slag Contamination

Dear David:

As reported to you on 1/24/96 substantial amounts of Oregon Steel Slag was spread by your contractor on the surcharge pile and within the gravel roadways on the site. We observed the superficial attempt to reclaim that slag showing on the surface of the roadways only. No attempt was made, nor do we feel it is now feasible, to remove the slag ground into the roadways or buried in the surcharge pile.

We have analyzed samples of this slag (copy attached) and found it contains chromium up to 3,970 ppm. The allowable level of chromium in soil according to Oregon DEQ Cleanup Manual for residential use is limited to 1,000 ppm and 1,500 ppm for industrial use. An additional concern we have is the impact this slag will have on stormwater runoff. The acute toxicity limit for chromium, which is currently the DEQ's rule of thumb in the absence of a specific "stormwater limit" for chromium, is 1.72 ppm. It would therefore take very little slag in the runoff to cause possible stormwater permit problems. Since Hall Buck Marine will hold the stormwater permit, this subjects us to a very real and unacceptable liability. We frankly believe notification of this upset condition to DEQ is a necessity. Your participation in dealing with DEQ on this issue is welcome.

Notwithstanding any contract language to the contrary, inasmuch as the Port was responsible for placing the slag on the PBT-5 site and consented to such placement, Hall Buck Marine will not be responsible for or liable for any environmental impacts on air, water, or soil, nor for any cleanup, penalties, fees, fines, etc. which are, or may have been, caused directly or indirectly by the presence of the slag.

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It seems to me we have no alternative but to go through the formal provision of the interim ground lease, officially notifying the Port of Portland of the existence of this contamination and the need for remediation. Do you have any alternative ideas?

Respectfully yours

A handwritten signature in cursive script, appearing to read "C.J. Santavicca".

C.J. Santavicca

cc: T.B.Stanley, G.E.Shields, T.J.Nieman
J.E.Couch, J.A.Larpenteur, D.W.Duff
K.P.Pitre, S.Miller